Editor's note: Appealed -- aff'd, Civ.No. 86-0456 (D.D.C. Nov. 21, 1986); 648 F.Supp. 410

SATELLITE 8211104 ET AL.

IBLA 84-16; IBLA 84-128 Decided November 22, 1985

Appeal from decisions of the New Mexico State Office, Bureau of Land Management, rejecting simultaneous oil and gas lease applications NM 55852, NM 56398, NM 56771, and NM 57135.

Affirmed.

1. Oil and Gas Leases: Applications: Generally--Oil and Gas Leases: Rentals

   A simultaneous oil and gas lease application is properly rejected where the executed lease forms and first year's rental are not submitted within 30 days of notice to do so as required by 43 CFR 3112.4-1(a) (1982).

2. Oil and Gas Leases: Applications: Generally--Oil and Gas Leases: Applications: Attorneys-in-Fact or Agents--Oil and Gas Leases: Applications: Sole Party in Interest

   Where the evidence establishes that various associations have been formed by a filing service for the purpose of submitting simultaneous oil and gas lease applications with operating control of these associations vested only in officers or employees of the filing service, use of the home address of the president of the filing service as the address of the association violates the provisions of 43 CFR 3112.2-1(d) (1982).

3. Oil and Gas Leases: Applications: Generally--Oil and Gas Leases: Applications: Attorneys-in-Fact or Agents

   Where the evidence indicates that an agent who signed an application on behalf of an association did not, in fact, have an agency relationship with the applicant, such application must be rejected.

4. Oil and Gas Leases: Applications: Attorneys-in-Fact or Agents--Oil and Gas Leases: Noncompetitive Leases

BLM may properly reject a noncompetitive oil and gas lease offer where an attorney-in-fact signed the offer and submitted the first year's rental and the power of attorney did not prohibit the attorney-in-fact from filing offers on behalf of other participants, as required by 43 CFR 3112.4-1(b) (1982).

5. Oil and Gas Leases: Applications: Generally

Failure to comply with regulations aimed at policing the simultaneous oil and gas leasing system to prevent abuse constitutes a substantive violation under Conway v. Watt, 717 F.2d 512 (10th Cir. 1983), and requires rejection of all applications so defective.

APPEARANCES: George B. McPhillips, Esq., Mineola, New York, for appellants.

OPINION BY ADMINISTRATIVE JUDGE BURSKI

By decisions dated August 29 and September 28, 1983, the New Mexico State Office, Bureau of Land Management (BLM), rejected five lease applications filed by applicants, Satellite 8211104, Satellite 8301123, Satellite 8303155, Satellite 8305121, and Satellite 8305122. 1/ Each decision was sent to the applicant at the address provided on its application. In each case the address was 10 Siracusa Boulevard, Smithtown, New York. As grounds for rejection, each letter stated:

> It is our opinion that this applicant is a pool or association. Pools use a common address generally different from an associated filing service, but in our opinion the address is simply a mail drop and is effectively ". . . . The address of any other person or entity which is in the business of providing assistance to those participating in the simultaneous oil and gas leasing system," thereby, violating Title 43 CFR 3112.2-1(d).

Each applicant, through a common attorney, has appealed the rejection of its application. The common position of appellants is that:

1/ Satellite 8211104, NM 55852, drew second priority for parcel 153, out of two applications filed in the drawing held December 1982. Satellite 8301123, NM 56398, drew first priority for parcel 213 out of 165 applications filed in the drawing held February 1983. Satellite 8303155, NM 56771, drew first priority for parcel 246 out of 54 applications filed, in the drawing held April 1983. Satellite 8305121 and Satellite 8305122, NM 57135, drew second and third priorities, respectively, out of a total of three applications filed, for parcel 107. Except for the two appellants which drew priorities on the same parcel, all applicants of higher priority were rejected by BLM prior to their action in this case. No adverse parties have made an entry of appearance in any of the present appeals.

> These associations are entirely separate entities and are not to be confused with each other or with Satellite Energy Corporation which acted as the filing service for the associations.
>
> The address, 10 Siracusa Boulevard, Smithtown, New York 11787 was the office address of Satellite [number]. The filing service, Satellite Energy Corp., maintains an address at 377 Fifth Avenue, New York City, New York 10016, and that office is separate and distinct from the office maintained by the association in Smithtown. The officers and/or the employees of Satellite Energy Corp. only act on behalf of Satellite Energy Corp. in their corporate capacities.
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> The associations, while bearing the name "Satellite", are separate and distinct from Satellite Energy Corp. and the Satellite associations are made up of individual members who are acting in their individual capacities as individual citizens. All members of the associations reside in the various United States, are U.S. citizens, over the age of majority, and have elected to use 10 Siracusa Boulevard, Smithtown, New York 11787, as their mailing address for simplification for the Bureau of Land Management to serve notices and other correspondence on all association members.

Because the relevant facts, the major issue on appeal, and the arguments raised by counsel are virtually identical, the cases have been consolidated for decision. However, prior to considering the main issue pressed on appeal, it is necessary to examine a specific problem which relates only to Satellite 8211104.

[1] Satellite 8211104 had filed an application which was drawn with second priority for Parcel NM 153 in the December 1982 simultaneous drawing. When the first successful applicant failed to submit the signed lease forms and advance rental, its offer was rejected. Accordingly, on June 23, 1983, the State Office transmitted the lease offer forms with instructions to return the signed forms with the advance rental payment within 30 days of receipt of notification. These forms were received by Satellite 8211104 on July 2, 1983. The signed forms and advance rental were not returned to the New Mexico State Office until August 2, 1983, one day late. The State Office determined that Satellite 8211104 had not complied with 43 CFR 3112.4-1(a) (1982), [now 43 CFR 3112.6-1(a)]. On appeal, appellant concedes payment was made one day late.

Where the first year's rental payment or signed lease forms are not filed in the proper BLM office within the time prescribed, the lease offer must be rejected. Dawson v. Andrus, 612 F.2d 1280 (10th Cir. 1980); Nininger v. Morton, Civ. No. 74-1246 (D.D.C. Mar. 25, 1975); Eagle Basin Partnership, 76 IBLA 241 (1983). Thus, rejection of the application filed by Satellite 8211104 for Parcel NM 153, serialized as NM 55852, must be affirmed independently of any other grounds pressed on this appeal.

Turning to the primary issue involved in this appeal, the regulations applicable at the time appellants submitted their lease applications and at the time their applications were selected are found at 43 CFR Subparts 3100

and 3112 (1982). Following the language of section 1 of the Mineral Lands Leasing Act of 1920, 30 U.S.C. § 181 (1982), section 3102.1 of the regulations permits an association of citizens of the United States to hold leases. Section 3112.2-1 governs how applications under the simultaneous filing program are to be made. Several of its provisions are of concern here.

First, the regulations provide that "the name of only one citizen, association, corporation or municipality may appear as applicant on any application." 43 CFR 3112.2-1(c) (1982). Second, an application must be holographically signed. 43 CFR 3112.2-1(b) (1982). Because an association, like a corporation, is not itself capable of signing, it must do so through someone "authorized to sign on behalf of the applicant." Id. Third, in such cases, the application must be "rendered in a manner to reveal the name of the applicant, the name of the signatory and their relationship." Id. Fourth, an application must "include the applicant's personal or business address," which address cannot be "the address of any other person or entity which is in the business of providing assistance to those participating in the simultaneous oil and gas leasing system." 43 CFR 3112.2-1(d) (1982). 2/

Appellants' applications were each filed under the numbered Satellite name and were signed: "Satellite [number] by Satellite Energy Corp., agent, by [handwritten] T. R. Corwin, Pres." except for the application by Satellite 8303155 which bore the signature "M. Corwin, V. Pres." As previously stated, 10 Siracusa Boulevard was the address given for each applicant. In addition, Satellite Energy Corporation, 377 Fifth Avenue, New York, New York 10016, was listed as the filing service used by each applicant.

Based on the content of the applications, there was apparent compliance with 43 CFR 3112.2-1 (1982). This facial compliance, however, assumes that each of the numbered Satellite applicants was in fact a bona fide association of citizens of the United States and that its address was not that of Satellite Energy Corporation, which, appellants do not deny, is an entity "in the business of providing assistance to those participating in the simultaneous oil and gas leasing system." Id.

[2] In order to determine whether the applicants were "separate entities" as they maintain, or whether the names and address functioned merely as a mail drop for Satellite Energy Corporation as determined by BLM, we issued an order requiring appellants to provide this Board with certain information and documents. In response they have submitted, through their counsel, copies of the articles creating each numbered Satellite applicant. Except for the information which has been filled in by hand, the articles for each numbered Satellite are identical. 3/ Accompanying the articles for each numbered Satellite is a "pool report" listing names, addresses, social security numbers, and ownership percentage. In addition, appellants have submitted a

2/ We note that the language quoted by BLM in its letters to the appellants seems to have been taken from the regulations promulgated on July 22, 1983, 48 FR 33648, 33660 (1983). The difference between the quoted provision and the one applicable, however, is grammatical rather than substantive. The provision continues to apply. 43 CFR 3112.2-1.

3/ The articles of Satellite 8211104 appear as Appendix A.

statement by Terence R. Corwin, President of Satellite Energy Corporation. We have examined these documents and conclude that, contrary to the assertions of counsel, they do not support the claim that each numbered Satellite is an association which operates as an entity distinct from Satellite Energy Corporation. Consequently, we find that BLM was correct in its determination that the address provided as the applicants' were simply alternative addresses for the filing service, Satellite Energy Corporation.

Basic legal authorities agree that "association" does not have a precise legal meaning but does, in its common law meaning, designate a group of individuals who have joined together to undertake a common enterprise using the methods and forms of a corporation but without a corporate charter. See 6 Am. Jur. 2d Associations and Clubs §§ 1, 2 (1963); 7 C.J.S. Associations §§ 2, 3(a) (1980); Black's Law Dictionary 111 (5th ed. 1979); Ballentine's Law Dictionary 102-03 (3rd ed. 1969). Unless recognized by state statute, 4/ an association "is not a legal entity separate from the persons who compose it, but is merely a creature of contract, and the agency of one member for another is not implied." 7 C.J.S. Associations § 2 (1980). As an organization based on contract among its members, their agreement is usually embodied in a written constitution or articles of association which, along with any bylaws, rules, or regulations adopted, govern the rights, powers, and liabilities and general operation as an association. 6 Am. Jur. 2d Associations and Clubs § 5 (1963); 7 C.J.S. Associations §§ 5-6(b), 33 (1980).

The undated articles 5/ submitted by appellants fail to meet this general description of an association. First, they provide no basis for concluding that they constitute a contract assented to by those individuals listed in the pool report for each numbered Satellite. Instead, the articles each recite that the numbered Satellite is being formed by Satellite Energy Corporation, and each is signed by T. R. Corwin as president of the corporation. The only provision as to membership is a recitation that a list of members is attached. The lack of membership provisions tends to indicate that, as a creation of Satellite Energy Corporation, membership was determined by the corporation rather than through the mutual assent of the members.

Second, the articles fail to contain any provisions under which its members may operate as an association. 6/ The articles lack provisions calling

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4/ New York law requires business trust associations created by written instruments with shares represented by certificates to file with the Secretary of State for the purpose of service of process. N.Y. Gen. Ass'n Law §§ 2, 18 (McKinney 1942 & Supp. 1984). There is no indication in the record as to whether the numbered Satellites have issued shares represented by certificates.

5/ The absence of a date of formation raises questions as to when the documents were prepared and signed as well as concerns as to their legitimacy. Cf. Lee S. Bielski, 39 IBLA 211, 86 I.D. 80 (1979).

6/ Given the diversity of addresses listed in the pool reports for each association, the absence of a method for conducting the business of the association is significant. For example, the report for Satellite 8211104 lists addresses in the Commonwealth of Virginia, the States of California, Colorado, Georgia, Illinois, Louisiana, Michigan, Missouri, New York, Ohio, Tennessee, and Washington as well as the Virgin Islands.

for meetings or establishing any other method by which members might agree upon how to carry out their common enterprise. Nor, as an alternative, is such decisionmaking authority delegated to any officers or board; in fact, no officer or board is called for by the articles. The only relevant provisions are articles 3 and 4. Article 3 in four of the relevant Satellite documents names T. R. Corwin, "a member selected by Satellite Energy Corp." as "nominee," and article 4 provides that members will be bound by the decision of the majority in disposing of any leases obtained. According to the statement submitted by Corwin, 10 Siracusa Boulevard was his home address, and he, or other officers and employees of Satellite Energy Corporation acting as "nominees" for other numbered Satellites, would send a "quorum letter" to inform members about offers to purchase and obtain a decision to retain or assign the lease. Given the time constraints imposed upon leasing procedures provided by 43 CFR Subpart 3112, the lack of provisions for operation as an association indicates that decisions as to the selection of parcels and all steps necessary to solicit and obtain offers to purchase leases were undertaken by these nominees, all of whom were either officers or employees of Satellite Energy Corporation.

Third, the articles fail to contain sufficient provisions for conducting the financial affairs of the association. Thus, there are no provisions allowing or requiring members to pay funds for use as application fees, authorizing funds held by the association to be spent, and authorizing a member of the association to expend funds and sign checks on its behalf. While articles 1(d) and 2 require the collection of rental fees from members and their payment to the BLM, no method is provided by which this may be done. Lacking provisions concerning how the financial affairs of the association are to be carried out, the articles also fail to provide for recordkeeping. Again, the implication of such deficiencies is that as creations of Satellite Energy Corporation, the finances of each numbered Satellite were handled and controlled by the corporation.

In view of the inability of each numbered Satellite to function as an association, it is impossible for the Board to accept the view that each is, in fact, a separate independent entity. It is no answer to suggest, as appellants now do, that the activities of these associations were directed by "nominees" acting in "their individual capacities." Satellite Energy Corporation not only controlled the selection of all nominees but exercized its control to ensure that only officers or employees of Satellite Energy Corporation were appointed as nominees. We cannot credit appellants' argument that the nominees selected fulfilled their functions independent of the corporation which had chosen them and with which all were associated, particularly when not only was no compensation provided for acting as nominee, but the nominee was actually obligated to tender the full rental for all leases even if participants in the Satellite group failed to remit their aliquot share. 7/

7/ The Articles clearly provided that if a member failed to tender payment within 10 days of notice the member's interest was forfeited to the nominee who would "make the rental payment and assume all right, title and interest to the forfeiting member's share."

[3] Our conclusion that each numbered Satellite is not an independent association is also supported by counsel's claim that "[t]here is no service agreement between each association and Satellite Energy Corporation." If each numbered Satellite were truly an independent association, it would be necessary for each to contract with Satellite Energy Corporation in order to obtain its assistance in selecting parcels and filing applications. Indeed, since appellants aver there is no service agreement between them and Satellite Energy Corporation, one must wonder how and under what provisions Satellite Energy Corporation is compensated. In fact, while appellants originally asserted that Satellite Energy Corporation acted as their filing service and so indicated on their simultaneous applications, appellants now appear to contend that the nominees of the associations, acting in their individual, private capacities (ignoring the fact that in all cases presently before us the nominee was either Terence or Michael Corwin, president and vice-president, respectively, of Satellite Energy Corporation), have conducted the business of each association. If this were the case, any compensation to Satellite Energy Corporation would seem purely gratuitous, and we are left to wonder why Satellite Energy Corporation would even be listed as a filing service. Further, inasmuch as the instant applications were signed "by Satellite Energy Corp., agent, by T. R. Corwin, Pres.," or "M. Corwin, V. Pres." it would seem, in the absence of a filing service agreement, that these applications were all signed without authority, since the purported agent, i.e., Satellite Energy Corporation, had no relationship with the applicants. This, in itself, would be grounds for rejection of the applications. See generally Imre Prepeliczay, 22 IBLA 13 (1975). 8/

[4] It is also important to note that the "nominees" of the numbered Satellites were expressly authorized to act as "attorney-in-fact for all members whenever necessary in connection with the Drawing Program or an issued lease(s)." Insofar as Satellite 8211104 and Satellite 8301123 are concerned, T. R. Corwin signed the lease forms as "nominee." The fact he chose to denominate himself as "nominee" does not change the fact he was operating as attorney-in-fact in signing the offer. Thus, the provisions of 43 CFR 3112.4-1(b) (1982) [now 43 CFR 3112.6-1(b)(1)(i)] are applicable. This regulation expressly prohibits an attorney-in-fact from signing a lease offer unless "the power of attorney prohibits the attorney-in-fact from filing offers on behalf of any other participant." Clearly, no such limitation was applicable herein and both of these offers are subject to rejection for this additional reason. See Kirk Rhone, 76 IBLA 332 (1983).

8/ Nor could we credit an argument that the "nominees" were the individuals who contracted with the filing service. In the instant case, this would mean that Terence and Michael Corwin, acting as nominees, contracted for services with Satellite Energy Corporation of which they were President and Vice-President, respectively. It is difficult to see how such an agreement could be consummated without running afoul of the fiduciary duties which they owed both to the individual satellites and to the Corporation. See generally June Oil and Gas, Inc., 41 IBLA 394, 86 I.D. 374 (1979), aff'd, 506 F. Supp. 1204 (D. Colo. 1981), aff'd, 717 F.2d 1323 (10th Cir. 1983), cert. denied, 104 S. Ct. 2169 (1984). In any event, appellants have not even contended that such an arrangement existed, even after this Board inquired as to the existence of an agreement between them and Satellite Energy Corporation.

[5] The various regulations which have been shown to have been violated herein involve not trivial or inconsequential concerns, but rather go to the heart of this Department's ability to police the simultaneous oil and gas lease system at a time when there is an increasing outcry relating to abuses perpetrated by filing services. Compare Conway v. Watt, 717 F.2d 512 (10th Cir. 1983) with KVK Partnership v. Hodel, 759 F.2d 814 (10th Cir. 1985).

One of the regulations in question, 43 CFR 3112.2-1(d) (1982), is part of a group of interrelated regulations requiring disclosures by applicants. Over the years the information required by BLM has changed as its recordkeeping and application systems have changed, but the disclosures required have shared the common purposes of ensuring that acreage limitations and fairness are maintained. For example, the "sole party in interest" provisions, 43 CFR 3100.0-5(b), 3112.2-3 (1982), have long required disclosure of all parties who hold an interest in a lease application. See 24 FR 281, 282 (1959); Instructions, 51 I.D. 504 (1926). As originally proposed, disclosure was designed to assure compliance with the statutory acreage limitations found at 30 U.S.C. § 184 (1982). See 23 FR 5735 (1958) (proposed); 24 FR 281, 282 (1959) (final). With the advent of a general simultaneous leasing program, 24 FR 9856 (1959), applicants developed a variety of schemes designed to increase their chance of receiving first priority. 9/

Subsequently, in defining "sole party in interest" and promulgating regulations against collusion, it was recognized that the disclosure requirement was also "predicated on the departmental policy that all offerors and other parties having an interest in simultaneously filed offers to lease shall have an equal opportunity for success in the drawings to determine priorities." 28 FR 2283 (1963) (proposed); 29 FR 4508 (1964) (final); 43 CFR 3100.0-5(b) (1982). See Evelyn R. Robertson, A-29251 (Mar. 21, 1963), aff'd sub nom. Robertson v. Udall, 349 F.2d 195 (D.C. Cir. 1965). This principle of fairness was already longstanding, see, e.g., Clifton Carpenter, A-22856 (Jan. 29, 1941), as was the rule that interests in multiple applications for the same parcel precludes an individual from being a "qualified applicant" under 30 U.S.C. § 226 (1982). McKay v. Wahlenmaier, 226 F.2d 35, 39-41 (D.C. Cir. 1955). Thus, the disclosure of parties in interest permits BLM to review applications for fraud against the acreage limitations as well as to enforce the prohibition against multiple filings in order to maintain the integrity of the noncompetitive leasing system.

Similarly, the requirement that an applicant's address cannot be the same as that of his filing service was adopted as part of a series of regulatory changes aimed at ending abuses by filing services. 44 FR 56176 (1979) (proposed rules). See Margaret G. Pascale, 83 IBLA 268 (1984); Maurice W.

9/ The transition to a general system of drawings for pre-selected parcels was itself motivated by the need "to end the mad scrambles, breaches of peace, damage to tract books, and corruption of land office employees as applicants compete to be the first making application." Thor-Westcliffe Development, Inc. v. Udall, 314 F.2d 257, 258-59 (D.C. Cir.), cert. denied, 373 U.S. 951 (1963).

Coburn (On Reconsideration), 82 IBLA 112 (1984). The specific provision was promulgated to "protect clients of filing services from being defrauded by unscrupulous filing services." 45 FR 35156, 35159 (1980) (final rules). Such had previously occurred when applicants whose names were selected for a lease were notified at their filing service address, but the filing service did not notify the applicant and, instead, submitted the first year's rental, obtained the lease, and assigned it, sometimes in collaboration with an oil company or middleman. 44 FR 56176 (1979). 10/ Such exercise of control by filing services not only damaged the integrity of the noncompetitive leasing system, but also, through the filing service clauses granting control, created an interest in applications which violated the fairness principle. See D. R. Weedon, Jr., 51 IBLA 378 (1980), and cases cited therein; John V. Steffens, A-30601 (Jan. 26, 1967); Evelyn R. Robertson, supra, at 8-9.

A similar purpose animates 43 CFR 3112.6-1(b)(1)(i), limiting an attorney-in-fact to acting on behalf of a single offeror. Thus, this Board has noted:

> This [regulation] was intended to promote a more direct relationship between an offeror and his or her attorney-in-fact, and thereby involve an offeror more directly in the process. Moreover, it prevented filing services from acting as attorneys-in-fact on behalf of several participants in this manner and effectively precluded them from offering that service to their clients. This eliminated major areas of possible abuse.

Kirk Rhone, supra at 334.

10/ More recently BLM has described the purpose and policy of the regulation as follows:

"Prior to 1980, there was no regulatory requirement prohibiting an applicant from submitting the name and address of a filing service rather than that of the applicant. Thus, there was no way to ensure that the best interests of an applicant were being served if someone other than the applicant were to receive mail directed to him/her from BLM as well as any subsequent offers. Prior to this regulation change, many abuses of the program were perpetrated by filing services and others when acting as a middleman between the applicant and BLM and any oil company or prospective assignee that might be interested in purchasing a lease from a successful applicant. Frequently, filing services did not keep their clients informed of communications with BLM or with prospective purchasers of leases. In the past, some services, without authorization, entered and signed a client's name on an SOG application and indicated the filing service's address as opposed to that of the applicant. If that applicant was determined to be a winner, the chances that the client would find out that his/her name was used were very minimal unless that client were actively watching the winners list. In such a situation, the filing service could then forge the necessary documents in order to gain the applicant's power of attorney. The purpose of the existing regulatory requirements that an applicant indicate his/her own address as opposed to that of a filing service or any other person in the business of providing assistance to SOG participants is to ensure that the applicant will directly receive any communication that is being transmitted to him/her by BLM." "Statement of Policy on Federal Simultaneous Oil and Gas Leasing System," Instruction Memorandum No. 85-545 (July 11, 1985).

Satellite Energy Corporation has attempted to vitiate all of these goals and avoid the regulatory proscriptions by devising a system whereby only its officers and employees exercise any real control over the process of selection and lease disposal. In doing so, it has violated not only the spirit of the regulations but specific prohibitions as well. To permit such activities on a theory that they are trivial technicalities would be to virtually nullify, in their entirety, the Department's efforts to police the simultaneous system so as to prevent abuse. This, we will not do.

Because the regulations which were violated are part of a group of interrelated regulations which are designed to maintain the integrity of the noncompetitive leasing system by ensuring that only qualified applicants receive leases, and because the regulations involved were specifically promulgated to protect clients of filing services from abuses, we hold that the violations exposed were substantive within the meaning of Conway v. Watt, supra, and that lease applications properly found to be in violation of their terms must be rejected by BLM. See Carl S. Matuszek, 86 IBLA 124 (1985); Anadarko Production Co., 83 IBLA 148 (1984); Margaret G. Pascale, supra; Maurice W. Coburn (On Reconsideration), supra. See also Shaw Resources, Inc., 79 IBLA 153, 177-78, 91 I.D. 122, 135-36 (1984).

Therefore, pursuant to the authority delegated to the Board of Land Appeals by the Secretary of the Interior, 43 CFR 4.1, the decisions appealed from are affirmed.

James L. Burski
Administrative Judge

We concur:

Franklin D. Arness
Administrative Judge

Gail M. Frazier
Administrative Judge

APPENDIX A

ARTICLES OF AND FOR
SATELLITE 8211104

1. SATELLITE 8211104 is formed by Satellite Energy Corp. to:

(a) Participate in the Federal Simultaneous Oil and Gas Drawing Program (hereinafter "Drawing");

(b) Hold a lease(s) in the name of SATELLITE 8211104 if a lease(s) is issued as a result of the Drawing;

(c) Dispose of any lease(s) that may be issued as a result of the Drawing;

(d) Collect rental payments from members and forward same to the Bureau of Land Management;

(e) Participate in legal and administrative proceedings for the common good of SATELLITE 8211104 .

2. Each member of SATELLITE 8211104 must pay his or her share of the rental payment due on any lease(s). The total rental payment is $1.00 per acre for each acre in the parcel awarded, for the first 5 years, and thereafter $3.00 per acre, unless assessed differently by the Bureau of Land Management. Each member's equity position determines his or her share of the rental payment on a pro-rata basis. If a member fails to pay his or her share of the rental payment, after being notified by certified mail, that member's interest in SATELLITE 8211104 shall be forfeited to the nominee of the group 10 days after the date of said notice. In the event of such a forfeiture, the nominee will make the rental payment and assume all right, title and interest to the forfeiting member's share.

3. Each member authorizes one member to act as nominee and file an application in the Drawing Program on behalf of all members. Each member appoints as his or her nominee, T. R. CORWIN , a member selected by Satellite Energy Corp., the filing service to be utilized in the Drawing Program. The nominee is authorized to act on behalf of all members with regard to a lease(s) issued to SATELLITE 8211104 ; and to act as attorney-in-fact for all members whenever necessary in connection with the Drawing Program or an issued lease(s).

4. Each member is bound by the decision of the majority of the members with regard to the ultimate disposition of the lease(s) and each member agrees that he or she will sign whatever

documents are necessary to perfect the lease(s) or the sale of the lease(s) in the event a lease(s) is issued.

5. Each member shall share in any profits from the holding of the lease(s) or the disposition of the lease(s) in proportion to his or her equity position.

6. The names, addresses and equity positions of the members of SATELLITE 8211104 are attached hereto and made a part hereof. Each member is:

(a) A United States citizen;

(b) In compliance with the Federal acreage limitations;

(c) Not a minor; and

(d) Not a participant in any agreement, scheme, plan or arrangement prohibited in relation to simultaneous oil and gas leasing.

SATELLITE ENERGY CORP.

By: /s/
TERENCE R. CORWIN, President